

H FERRUCCI

Sep-18-99 08:28pm

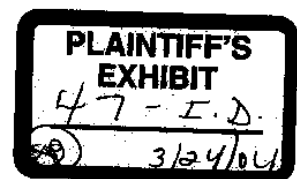
from 131576983623

page 1



Box 670, Route 37, Hoggansburg, NY 13655 (518) 358-2222 (518) 358-9722 fax

TO: IVAN KAUFMAN
FROM: JOHN N. FERRUCCI (J)
DATE: SEPTEMBER 10, 1999
RE: CONFIDENTIAL
FAX: 1-516-773-8078
PAGES including cover - 6



ARC 05763



September 10, 1999

Ivan,

I am writing this memo to you just to outline my thoughts on several issues in advance of our meeting on Tuesday. This will give us both an opportunity to digest some of this information prior to that time. I am doing this subsequent to our discussions on Wednesday evening and Thursday morning. Again, I appreciate your comments and I will try to be concise in my relaying this scattered information to you. Let me preface all of these comments by saying that these are meant to be constructive. Please accept them in that light.

Regarding staffing in general, I can appreciate the fact that you want to have a second opinion regarding staffing needs. You're entitled to get as many opinions as you want. The problem for us here at the property is this: If your consultant comes up with a number other than what we have provided, you invariably go with the consultant. The people we have in place and whose opinions I respect and rely on, are left to feel that they are perceived as incompetent. In addition to that, we are the ones who are charged with the responsibility of making it work. If Bill Thornton, for example, says we only need two housekeepers per shift, he is not here to see the trash pile up, to see scattered debris, to see the back loading dock in need of powerwashing, to see the dust on top of the machines, to notice our guests' impressions of a less-than spotless casino, etc. Now I have to run after these people, ask them to adjust their priorities to meet mine, leave something else unfinished to go do something that requires immediate attention, etc. I'm not picking on Bill, it is just a perfect example.

See, Bill has a unique problem. His role through the entire construction phase was to contain costs. That meant, whatever the Directors wanted in terms of equipment was scrutinized, changed, downsized, or otherwise compromised. We literally had to beg Bill Thornton for the tools we needed to do our jobs here. Now, we are begging Bill Thornton for more housekeepers, enough security officers to function effectively, more valet attendants, etc. Everyone here is amazed by his versatility. We thought he was a construction supervisor. Everyone is absolutely over this guy.

Page 1 of 5

Ivan Kaufman
Page 2 of 5

He showed me a new restaurant and bar design for the back room that he said you had not seen yet, but he was going to proceed with it because it was so good. After looking at it for two minutes, I told Bill it was absolutely the most dysfunctional and inefficient design I had ever seen. I then proceeded to tell him why. Unbelievably, he agreed. He took it back to rework it. He had never even consulted Frank or myself up to that point. Frank and I have both done this before. It would have helped had we been involved with the initial plans.

We are going to provide you with staffing levels -- realistic staffing levels, based on our business volume. We are not anxious to overspend. However, we are compromising guest service and efficiency in several areas by being shortsighted. At some point, someone here at the property has to be involved in the decision-making process and be held responsible. Right now, the attitude is that it was not their decision, they are not responsible, and if this is the way you want it, you got it.

Every department has concerns, serious concerns, that I need to give you at least the headlines on:

In Marketing, I called Rich Duda into my office and had a long discussion with him. I told him that I wanted to give him the respect that he deserved and encouraged him to find another position elsewhere. From what I can see, he does not figure into this company's long-term plan. He agreed and has since been actively searching. Whether Rich is or was capable of doing the job for us is no longer an issue. Once we were told that Bob Wilson or you must approve all bus business from now on and either Bob or you must approve any ads, we just realized that we no longer had an effect on what decisions were being made here. The advertising agency in Montreal that we are getting ideas from first gave us an absolute copy of Casino Hull's campaign. The next piece I saw from them was mediocre at best. Now I have to pay them a partial payment this week of \$17,000 when the company we have been using gave us, in our humble opinions, a far superior campaign. Here again, it is not our decision. Our marketing efforts at the property level have ground to a halt. It seemed that every idea that we generated was second-guessed and dismissed by one consultant or another. Right now, there is no flow of ideas because it is so frustrating. Rick Hamelin printed his own food discount coupons to distribute to his bus customers for them to use in our buffet. If every bus operator we deal with printed his or her own coupons, we would be closed tomorrow. Our internal controls state that our finance division accepts delivery of all coupons, logs them in, has an authorized manager sign for them, and then can produce a report on distribution and redemption. This list goes on.

One of the biggest areas of concern right now is Rob Punalski. I have been informed that he will be the Director of Table Games, Facilities, and Security. I have never seen his resume, but I have to assume that he has some direct experience running those departments before coming up here. With Donald Thompson resigning, it complicates the issue somewhat. If he can lend some experience to Facilities and Security, they could certainly use it. However, the Tribal Council and the Gaming Commission are already asking what the deal is with him.

ARC 05765

Ivan Kaufman

Page 3 of 5

Food and Beverage, as well as Surveillance, have concerns that relate mostly to staffing. I am confident that, since our discussions, we are going to be all right there.

In M.I.S., J.D. must get Mike Catapano to approve anything he does in terms of staffing and spending in that department. Mike insists that J.D. does not need these additional people, because Mike only has a staff of three. Here again, I disagree with Mike's assessment but, so far, that has not mattered. So, J.D. is submitting a new explanation for you to read. It is just a function of where we want to be, if everyone is satisfied with this middle level of efficiency, then we will accept that, given the fact that we are not asked to produce more than we are capable of.

Finance needs to fill some supervisory positions with the addition of the last 100 video games. Tom has submitted his plan to me and I had Ron incorporate it into those reports that you have. Please take a look at that when you get a chance.

In Security, we are scheduled so tight that we have no flexibility at all. Our shift count is supposed to start at 7:00 a.m. Lately, the drop team does not get the boxes to the cage until 7:45 a.m., because they do not have enough officers. And, of course, we already addressed the valet issue.

In Video Gaming, we are adding several bilingual guest service representatives to teach people how to play the games. David has a Shift Manager position open, which I told him to hold off until it is determined whether or not we will run 24 hours mid-week in the winter season.

What's happening in Human Resources is really at the core of our frustration. Neither Ron Vargas nor myself are empowered to replace any of the staff or give a .25c raise. If you are going to micro-manage at this level, you certainly do not need either one of us.

One of the biggest areas of concern right now is Rob Puhalski. I have been informed that he will be the Director of Table Games, Facilities, and Security. I have never seen his resume, but I have to assume that he has some direct experience running those departments before coming up here. With Donald Thompson resigning, it complicates the issue somewhat. If he can lend some experience to Facilities and Security, they could certainly use it. However, the Tribal Council and the Gaming Commission are already asking what the deal is with him.

ARC 05766

Ivan Kaufman

Page 4 of 5

What I have the toughest time understanding is the Table Games part. Kenny Medders has 30 years experience in the business, all in Table Games. I have 20 years experience, most in Table Games. Kenny and I have run casino operations in three successful casinos before coming here. Kenny was my principal instructor of table games at all three casinos, plus this one. Now, because the hold in Blackjack is only in the 13% range, obviously we need to bring an expert in to fix it. I told Kenny to start his search as well. I am going to recommend that we eliminate this position. We certainly do not need two Directors of the same department. Besides that, I respect Kenny and I would not want to see him be embarrassed personally or professionally. He does not deserve that.

My question to you is this: When I first came up here, this site was a pile of dirt. The first foundation footings had just been poured. On opening day, I presented you with a professionally organized, world-class operation consisting of 10 separate departments staffed with people who were as experienced as we could find and who were all well trained, with a total compendium package, and policies and procedures down to the most minute detail imaginable. Wouldn't you assume that I knew what I was doing in Blackjack, too?

Which brings me to a brief discussion of me.

When I first decided to accept this position, my motivation was to make money. That's no secret. I was not interested in providing some humanitarian service to the Mohawk people and I had not even met you yet. The base pay was competitive. I thank you for that. What actually made me decide on your offer was the bonus potential. I have never worked in a situation where I made less than the maximum bonus. I expected this to be the same.

So, my situation now is that I personally am losing money every day I stay here. I am up here in a position where I have to contend with all of the things mentioned above in addition to all of the things that I deal with on a daily basis that you never see and I never bother you with; such as, speaking with Tribal Council on a daily basis to ease their concerns, wrestling with the Tribal Gaming Commissioners and Inspectors over daily operational items too numerous to try to repeat, trying to keep morale up, and working feverishly to stop the exodus of what's left of our good help.

ARC 05767

Ivan Kaufman
Page 5 of 5

I have job offers from major gaming companies, none of which is Park Place Entertainment by the way, who offer a higher base salary, guaranteed bonus, excellent benefits, and percs you would expect from a large, publicly traded company. So, basically, I think it is time to play me or trade me. If you decide that I should stay, we need to address payment of the bonus that was due the end of June this year and eliminating the optional bonus for the next two years and guaranteeing it in writing as an addendum to our agreement, payable on June 1 each year. Along with this, I need to be empowered to perform the duties of the job that you and I originally agreed to. If not, then let's discuss the paragraph in our agreement which addresses termination without cause and let me get on my way.

I do not want to be an obstacle to your success here. I find myself disagreeing so frequently with decisions that everyone else is making around here that I am sure you get the impression that I am negative and less than totally cooperative. Actually, the reverse is true. I hope you can understand that a little better now. Either way, I look forward to seeing you on Tuesday.



John

ARC 05768